

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6339

BILL NUMBER: SB 483

DATE PREPARED: Jan 16, 2001

BILL AMENDED:

SUBJECT: Public Employees' Retirement Fund Benefit Computation.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the multiplier to be used in calculating pension benefits under the Public Employees' Retirement Fund (PERF) is the national average of the multipliers used in statewide public employee retirement funds located in states in which public employees are eligible for Social Security benefits.

Effective Date: July 1, 2001.

Explanation of State Expenditures: Based on a survey of 23 states in which public employees are eligible for Social Security coverage, the multiplier used by those states averaged about 1.74%, as compared to the 1.1% multiplier used in Indiana. The table below shows the estimated impact of using a 1.74% multiplier.

	<u>State</u>	<u>Local Units</u>	<u>Total</u>
Estimated Increase in Unfunded Accrued Liability	\$920 M	\$1,110 M	\$2,030 M
Estimated Increase in Annual Funding	\$110 M	\$146 M	\$256 M
Increase in Annual Funding as % of Payroll	9.0%	7.7%	8.2%

The funds affected for the State are the State General Fund (55%), or \$60.5 M of the \$110 M in increased annual funding, and various dedicated funds (45%), or \$49.5 M. The percentage split represents the portion each fund contributes to the personal services portion of the State Budget.

[Note: 401(a) plans, such as PERF, are required to be "definitely determinable". This means that the formula used to calculate benefits must be specifically spelled out. This could be a problem with this proposal since the benefit multiplier would be set by the PERF Board and could change from year to year.]

Explanation of State Revenues:

Explanation of Local Expenditures: See Explanation of State Expenditures, above.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Those units with members in PERF.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 576-1508; survey presented to the Pension Management Oversight Commission by Mary Beth Braitman of Ice Miller, outside counsel for PERF, 236-2413.

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Funding-systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.